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**“Drug Trafficking Across the Southwest
Border and Oversight of U.S. Counterdrug
Assistance to Mexico”**

Caucus on International Narcotics Control
United States Senate

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Statement of
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Thank you, Chairman Grassley and Co-Chairman Feinstein, and distinguished Members of the Caucus, for the opportunity to discuss counter-narcotics efforts along the Southwest border. The United States faces a very serious challenge to its public health and public safety from drug trafficking across the Southwest border. The production and movement of drugs from Mexico into the United States is a complex, violent, and highly consequential illegal enterprise that poses not just a national security threat to our nation, but a threat to every community across the country.

The Office of National Drug Control Policy (ONDCP) was established in 1988 by Congress with the principal purpose of reducing illicit drug use, manufacturing, and trafficking; drug-related crime and violence; and drug-related health consequences. As a component of the Executive Office of the President, our office establishes policies, priorities, and objectives for the Nation's drug control programs and ensures that adequate resources are provided to implement them. We also develop, evaluate, coordinate, and oversee the international and domestic anti-drug efforts of Executive Branch agencies and ensure such efforts sustain and complement state and local drug policy activities.

One of the central responsibilities of ONDCP is to develop the Administration's comprehensive *National Drug Control Strategy*. We have now released the 2015 *National Drug Control Strategy*, and virtually every part of it addresses border-related challenges or consequences of drugs transshipped through Mexico. Chapters deal with domestic drug trafficking and international partnerships and describe in detail more than a dozen action items focused directly or indirectly on Mexico or the border. These action items focus U.S. agencies on steps they can take to support Mexico's efforts to disrupt drug and precursor chemical trafficking, combat money laundering, and to provide focused training and assistance to strengthen their security and judicial institutions. Other action items concentrate on steps that must be taken within the United States to halt drug trafficking and bulk cash smuggling both on the border and in the interior of the country. This testimony will review the current drug threats facing our country across the Southwest border and our plans to address this threat.

The Drug Trafficking Threat from Mexico

Mexican transnational criminal organizations (TCOs) remain the greatest criminal drug threat to the United States. These Mexican poly-drug organizations traffic heroin, methamphetamine, cocaine, and marijuana throughout the United States using established transportation routes and distribution networks. They control drug trafficking across the Southwest border and are seeking to expand their share of U.S. illicit drug markets, particularly for heroin. U.S. national-level gangs and neighborhood gangs continue to form relationships with Mexican TCOs to increase gang profits through drug distribution and transportation, for the enforcement of drug payments, and for protection of drug transportation corridors from use by rival gangs. Many gangs rely on Mexican TCOs as their primary drug supplier, and Mexican TCOs depend on street-level gangs that have a pre-existing customer base for drug distribution.

Heroin

In 2013 there were over 8,200 overdose deaths involving heroin in United States.¹ These deaths are unacceptable as they are preventable using the public health overdose intervention and treatment options we have available. I regularly meet with parents who have lost children due to a drug overdose. Their suffering is a tragedy. Domestically, we are working on an array of fronts, including expanding treatment for substance use disorders, promoting early intervention, overdose prevention, and partnering with law enforcement and public health entities on innovative initiatives to reverse the overdose trend.

Opium and heroin production has substantially increased in Mexico in recent years. Heroin seizures along the Southwest border increased sharply (296%) from 2008 to 2013, suggesting a substantial increase in the amount of heroin entering the United States.² In 2014, an estimated 42 pure metric tons of heroin were produced in Mexico, up from over 26 pure metric tons in 2013.³ This compares to a combined estimate of about four metric tons from Colombia and Guatemala. Although Afghanistan is the world's largest producer of heroin (740 metric tons in 2014), recent analyses of the heroin seizures by the Drug Enforcement Administration (DEA) indicate that a very small percentage (less than five percent) of heroin consumed in the United States is from that country, and a very large proportion of the heroin seized entering the United States comes from Mexico.⁴

The increased role of heroin manufacturers and traffickers in Mexico is altering previously established trafficking patterns. As more heroin enters the United States through the Southwest border, the western states have increasingly significant roles as heroin transit areas. DEA and local law enforcement reports from several western states indicate that heroin is entering the United States across the Southwest border in greater volume.

Mexican TCOs are expanding their operations to gain a larger share of the lucrative eastern U.S. heroin markets. The heroin market in the United States has been historically divided along the Mississippi River, with western markets using Mexican black tar and brown powder heroin and eastern markets using white powder heroin predominantly from the Western Hemisphere. Although precise estimates are not available, it is believed that heroin producers in Mexico are now manufacturing high purity white heroin, which enables them to enter additional heroin markets.

¹ Centers for Disease Control and Prevention, National Center for Health Statistics. Multiple Cause of Death, 1999-2013 on CDC WONDER Online Database, released 2015. Extracted by ONDCP from <http://wonder.cdc.gov/mcd-icd10.html> on January 30, 2015.

² Drug Enforcement Administration, 2014 National Drug Threat Assessment Summary, December 2014, Chart 4.

³ US Government estimates of Mexican potential heroin production, 2015.

⁴ Drug Enforcement Administration. 2014. Heroin Signature Program: 2012. DEA-DCW-DIR-026-14, May.

Methamphetamine

Seizure data,⁵ law enforcement reporting,⁶ and localized drug consequence information such as treatment admissions⁷ all indicate that methamphetamine trafficking and use continue to increase within the United States. Mexican TCOs have adapted to legal restrictions placed on precursor chemicals, in the United States and Mexico, and are able to continue producing large amounts of high-purity, high-potency methamphetamine.⁸ The majority of methamphetamine available in the United States is high-grade Mexican cartel-produced methamphetamine. The average purity (amount of total methamphetamine) of this methamphetamine is approximately 96 percent, and the average potency (amount of the more active D-meth isomer) is around 88 percent.⁹ Thousands of kilograms of methamphetamine from Mexico are seized along the Southwest border annually. Data from DEA indicate that between 2009 and 2013, the amount of methamphetamine seized along the Southwest border increased 233 percent. And according to U.S. Customs and Border Protection (CBP), methamphetamine seizures along the Southwest border increased 20 percent from 2013 to 2014. Of the methamphetamine seizures in 2014, 62 percent occurred in California, followed by Texas with 23 percent. Moreover, large shipments (50 pounds or more) of methamphetamine, once a rarity, are now regularly seized at the Southwest border. From 2008 to 2014, methamphetamine submissions to forensic labs, which is an indicator of availability, increased by 70 percent. Of the 1.6 million current nonmedical users of stimulants, one-third reported as current methamphetamine users.¹⁰

Cocaine

TCOs smuggle the majority of U.S.-bound cocaine across the Southwest border. Mexican TCOs obtain multi-ton shipments of cocaine from source countries in South America, primarily from Colombia. In 2014, an estimated 86 percent of this cocaine was smuggled through the Mexico/Central America corridor.¹¹ After large loads reach transshipment points in Mexico or Central America, they are broken down into small, more difficult-to-detect loads that are smuggled across the Southwest border into the United States. While cocaine smuggling, availability, and consumption in the United States are all down when compared to historically high levels in the mid-2000s, we need to be attentive to the potential resurgence of cocaine. Potential cocaine production estimates for Colombia increased over 30 percent from 2013 to 2014.¹²

Marijuana

Mexican-produced marijuana continues to be transported into the United States across the Southwest border in large quantities. Mexican-produced marijuana is smuggled into the United States by various means, including subterranean tunnels; shipping containers; hidden

⁵ National Seizure System (NSS), El Paso Intelligence Center

⁶ Drug Enforcement Administration, 2014. National Drug Threat Assessment Summary, December 2014, p. 19.

⁷ 2014 Treatment Episode Data Set (TEDS), SAMHSA,

http://www.samhsa.gov/data/sites/default/files/2014_TEDS_Substance_Abuse_Treatment_Admissions_Tables_as_of_2015_Q2/2014_TEDS_Substance_Abuse_Treatment_Admissions_Tables_as_of_2015_Q2.html

⁸ Drug Enforcement Administration, 2014. National Drug Threat Assessment Summary, December 2014, p. 49.

⁹ Meth Profile Report, Drug Enforcement Administration, Office of Forensic Sciences, 2015

¹⁰ Substance Abuse and Mental Health Services Administration. 2015 Behavioral Health Trends in the United States, September 2015, p. 8.

¹¹ Interagency Assessment of Cocaine Movement (IACM), DIA, 2014

¹² 2014 US Government estimates of Colombia potential cocaine production, 2015

compartments in commercial and private vehicles, and carried by people. Marijuana seizures by CBP along the Southwest border remained stable from 2010 to 2013, at 1.3 to 1.4 million kilograms per year. Notably, in 2014, CBP seized almost 985,000 kilograms of marijuana at the Southwest border, a 24 percent decrease from 2013. Given the increase in marijuana use among the American population,¹³ this suggests that people using marijuana in the United States may be increasingly obtaining marijuana from domestic sources. That being said, there is no evidence indicating that in Mexico, growers are substituting opium for marijuana, since those crops are cultivated in different regions of the country.

Bulk Cash Smuggling

TCOs generate an enormous amount of money through their illicit drug activities. Additionally, the funds provide them with the flexibility to change their methods of operation in the face of law enforcement tactics.

Bulk cash smuggling is the most widely used method of moving drug proceeds within the United States and across the U.S. border. Throughout the United States, but particularly along the Southwest border, Mexican TCOs collect and consolidate large quantities of cash drug proceeds, which are eventually transported across the border into Mexico. TCOs then use Mexico-based banking institutions and money services businesses to transfer these proceeds into financial systems throughout the world. In 2010, after Mexico's enactment of stringent financial reporting requirements, U.S. law enforcement officials noted a new trend—TCOs moving cash back into the United States and declaring the funds at the border as required under the U.S. Bank Secrecy Act provisions, claiming the cash was from legitimate sources. This method of laundering illicit proceeds, often called reverse bulk cash smuggling, is becoming more prevalent along the Southwest border.

There is some evidence Mexican TCOs and Southwest border-area money launderers are conspiring to exploit cross-border currency reporting exemptions for armored car services. By using armored car services to import currency, illicit dollars can be brought into the United States without revealing the underlying source of funds. Once in the United States, the funds are transferred to complicit U.S. businesses or deposited into front company bank accounts before being wired back to Mexico and withdrawn as pesos for distribution to the original owners.

Partnership with the Government of Mexico

The United States and Mexico are working together to reduce the negative social effects of heroin, methamphetamines, and marijuana. The lucrative nature of the drug trade, including the demand of drugs within the United States, has made the Mexican cartels the most powerful drug trafficking organizations in the world. Intra-trafficker rivalries for lucrative drug routes, combined with pressure on their operations by the Government of Mexico have caused an unprecedented wave of violence. As we seek to reduce this threat, we must keep in mind the dangerous environment in which our Mexican partners are operating.

¹³ Substance Abuse and Mental Health Services Administration. Results from the 2014 National Survey on Drug Use and Health: Detailed Tables. Department of Health and Human Services. [September 2015] [Available at: http://www.samhsa.gov/data/sites/default/files/NSDUH-DetTabs2014/NSDUH-DetTabs2014.htm#tab7-3a](http://www.samhsa.gov/data/sites/default/files/NSDUH-DetTabs2014/NSDUH-DetTabs2014.htm#tab7-3a)

U.S. agents and officials are working with their Mexican counterparts to support Mexican initiatives to disrupt and dismantle violent drug cartels; and are providing training and assistance requested by the Government of Mexico and funded by Congress under the Mérida Initiative. The investment made by Congress through the Mérida Initiative has been critical to our counternarcotics partnership with Mexico.

Although we are deeply concerned about the increasing production of heroin, fentanyl, and methamphetamine in Mexico, we are heartened by the bilateral discussions recently conducted with the Government of Mexico. Last month, as a part of the U.S.-Mexico Security Cooperation Group, I participated in a high-level dialogue with other Executive branch colleagues and Mexican officials on the health, safety, and security implications of the heroin trade. It was important to express to our Mexican colleagues that we have a shared responsibility to address the heroin epidemic that is impacting both of our countries. I shared what we were doing in the United States to reduce our demand for drugs as a fundamental part of the *National Drug Control Strategy*. We spoke about the U.S. Government's desire to work closely with the Government of Mexico to intensify poppy eradication and to conduct a yield study. We also discussed the importance of increased drug interdiction, the destruction of heroin, fentanyl, and methamphetamine laboratories, and the disruption of drug and precursor chemical trafficking groups. The leaders that I spoke with understood the severity of the threat and are committed to taking further actions to address these issues.

In addition, the methamphetamine that is produced in Mexico and Central America relies on precursor chemicals from China and elsewhere in Asia. Thus, efforts by U.S. agencies to build chemical interdiction capacity in Central America and Mexico, including the ability to safely dispose of seized chemicals, are critical. This is supplemented by the activities of the United Nation's International Narcotics Control Board to track the global chemical supply chain. ONDCP is part of the Joint Interagency Task Force-West (JIATF-West) Executive Working Group. JIATF-West helps law enforcement to interdict vast amounts of illicit drugs and chemical precursors destined for illicit meth production. Last month, ONDCP convened a meeting of the Working Group that focused on interagency efforts to interdict precursor chemicals used to produce methamphetamine, other amphetamine-type stimulants, and heroin. These efforts, along with continued diplomatic exchanges with Asian partners, are vital to stemming the flow of illicit drugs into the United States across the Southwest border.

There is more work to be done with our partners in Mexico on drug control issues, and I will continue to engage my counterparts from the Government of Mexico. I would also like to mention the critical role of the U.S. Embassy in Mexico City. The American people should be very proud of the team of dedicated professionals living and working in Mexico to address the drug threat and all of the challenges related to protecting the American people. After recent conversations with our Embassy, I can assure you that the entire interagency team is highly focused on drug trafficking threats and is seeking to produce concrete results that will reduce the flow of illicit drugs into our communities.

Efforts within the United States

In addition to the *National Drug Control Strategy*, which has a considerable focus on issues concerning drug trafficking along the Southwest border, ONDCP works with the interagency to produce the biennial *National Southwest Border Counternarcotics Strategy (Southwest Border Strategy)* to address drug trafficking along the Southwest border.

The Southwest Border Executive Steering Group, which monitors implementation of the *Southwest Border Strategy*, enables the entire Federal interagency and a representative from state and local law enforcement within a border state to assess progress, review challenges, and foster effective interagency communication and coordination on Southwest border counter-narcotics issues. After several years of participating in our Southwest Border Executive Steering Group meetings, I can state that there is a comprehensive, coordinated, intelligence-driven effort by Federal agencies to counter the enormous challenge of illicit trafficking along the Southwest border.

The current *Southwest Border Strategy*, issued in 2013, has an overarching Strategic Goal to “substantially reduce the flow of illicit drugs, drug proceeds, and associated instruments of violence across the Southwest border.” Nine Strategic Objectives support the Strategic Goal. They are:

- Enhance criminal intelligence and information sharing capabilities and processes associated with the Southwest border;
- Interdict drugs, drug proceeds, and associated instruments of violence at the ports of entry along the Southwest border;
- Interdict drugs, drug proceeds, and associated instruments of violence between the ports of entry along the Southwest border;
- Interdict drugs, drug proceeds, and associated illicit activities in the air and maritime domains along the Southwest border;
- Disrupt and dismantle drug trafficking organizations operating along the Southwest border by increasing investigations and prosecutions;
- Stem the flow of illicit monetary proceeds across the Southwest border into Mexico;
- Stem the flow of illegal weapons across the Southwest border into Mexico;
- Develop strong and resilient communities that resist criminal activity and promote healthy lifestyles; and
- Enhance U.S.-Mexico cooperation on joint counterdrug efforts.

Progress continues to be made in the implementation of the *Southwest Border Strategy*'s Strategic Objectives. There is enhanced coordination and integration of Southwest border-related

intelligence collection programs and activities and an increased measurable impact of domestic drug flow intelligence and analysis used for targeting and interdiction operations at the ports of entry. Additionally, task force capabilities have been enhanced; information about bulk currency seizures is more rapidly shared between law enforcement organizations; and programs at the El Paso Intelligence Center targeting illegal weapons trafficking have been enhanced.

The next iteration of the *Southwest Border Strategy* will build upon the successes of previous *Southwest Border Strategies* and will emphasize a Government-wide approach to address the drug trafficking and use challenges along the Southwest border. Emphasis will again be placed on improving information and intelligence sharing; securing the land, air and maritime avenues of approach into the United States; controlling the illegal flow of bulk cash and weapons into and out of the United States; cooperating with the Government of Mexico; and establishing or expanding drug prevention, treatment, and recovery programs.

The Organized Crime Drug Enforcement Task Forces Program coordinates the annual formulation of the Consolidated Priority Organization Target (CPOT) List, a multi-agency target list of members of the most prolific international drug trafficking and money laundering organizations. According to DEA reporting, 28 of the 51 CPOTs identified on the Fiscal Year (FY) 2014 CPOT list (55%) have been indicted, and 12 of the 51 CPOTs (23.5%) have been arrested.¹⁴

To help address bulk cash smuggling, the Department of Treasury's Financial Crimes Enforcement Network (FinCEN) implemented a series of regulatory actions—through interpretative guidance, administrative rulings, and Geographic Targeting Orders (GTO)—all aimed at increasing the transparency of cash movements by armored cars crossing the U.S.-Mexico border. The GTO issued in August 2014 that requires transporters of currency, including armored car services, to file Currency and Monetary Instrument Reports upon crossing the land border between Mexico and the United States. Information gathered pursuant to the GTO will help U.S. law enforcement identify precisely who is moving money into and out of the United States.

Additional ONDCP Activities

High Intensity Drug Trafficking Areas Program

ONDCP supports the Southwest Border High Intensity Drug Trafficking Area as part of our National High Intensity Drug Trafficking Areas (HIDTA) Program. The Southwest Border HIDTA, which is operated through five regional programs – Arizona, California, New Mexico, South Texas and West Texas – facilitates collaboration, coordination and cooperation of local, state, tribal and Federal law enforcement agencies along the Southwest border. In the period from 2013 to 2015, the Southwest Border HIDTA has received \$146 million in baseline funding

¹⁴ U.S. Department of Justice, Drug Enforcement Administration, FY 2016 Performance Budget Congressional Submission, Retrieved 11/6/2015 from http://www.justice.gov/sites/default/files/jmd/pages/attachments/2015/02/01/25_drug_enforcement_administration_dea.pdf

and \$2.6 million in discretionary funding to help coordinate and focus enforcement initiatives across the region. Discretionary funding has been provided to the Southwest Border HIDTA in FY 2015 to educate and raise awareness of the risks of nonmedical prescription drug use; enhance investigative efforts targeting heroin and methamphetamine trafficking by Mexican drug trafficking organizations; support prevention efforts with a focus on heroin and nonmedical prescription opioid use; and develop a comprehensive course of action to address the significant flow of heroin from Mexico into the United States through the West Texas corridor.

Drug-Free Communities Support Program

Additionally, ONDCP funds the Drug-Free Communities (DFC) Support Program, an effort managed by ONDCP and the Substance Abuse and Mental Health Services Administration to strengthen collaboration among community entities and reduce substance use among youth. From 2013 to 2015, \$12.1 million in DFC Program funding has been awarded to community-based coalitions in the four Southwest border States of Arizona, California, New Mexico, and Texas.

National Heroin Coordination Group

In response to the heroin crisis, ONDCP has established a National Heroin Coordination Group (NHCG), a diverse, multi-disciplinary team of subject matter experts that will lead interagency efforts to reduce the availability of heroin in the United States. The NHCG will work to guide and synchronize interagency activities against the heroin supply.

Conclusion

Drug trafficking across the Southwest border is a threat to our citizens' health and safety, and to the national security of the United States. ONDCP will continue to coordinate and collaborate with our Federal partners to disrupt the networks that move drugs into our communities. We are also committed to working with our Mexican colleagues to disrupt and dismantle Mexican TCOs.

Thank you for the opportunity to testify today and for the Caucus's ongoing focus on drug control issues. All of us at ONDCP look forward to continuing our work with the Caucus on addressing these challenges.